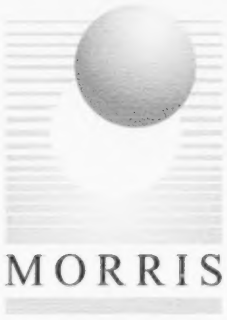

GEORGE MORRIS CENTRE

Growing Canada's Agri-Food Sector: Moving from Rhetoric to Implementation

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INTRODUCTION

On October 7, 2013, at the Premier's Summit on Agri-Food Innovation at Queen's Park in Toronto, Ontario Premier and Minister of Agriculture and Food announced two key challenges to the assembled Ontario agri-food industry leaders. Premier Wynne encouraged the industry to double its agri-food growth rate, and create 120,000 new jobs by 2020-and in doing so, Ontario would become one of the top five places in North America in food and beverage manufacturing. Ontario would also double its agri-food exports. These are ambitious goals.

This call for agri-food growth is quite similar to initiatives launched in British Columbia, Saskatchewan, Quebec, and indeed across all provinces and the Government of Canada. These calls for renewed agri-food sector growth reflect a better balance by governments in their support for domestic market (local foods) growth and global agri-food markets. It is also a welcome change from the past decades focus on income support policies, and reflects a stronger optimism and awareness of the capacity and opportunities for sustained market growth –due in measure to the sustained income growth in emerging markets.

But, there are substantial challenges facing public and private sectors as the agri-food sector attempts to meet these calls for growth beyond the status quo. The purpose of this paper is to explore these challenges, with a view to making the stated goals realistic.

SETTING THE CONTEXT FOR AGRI-FOOD SECTOR GROWTH

Public sector directions toward greater growth, prosperity, and investments in Canada's agri-food sector are encouraging. These directions represent a decided shift for several governments in Canada, and greater ambition and aggressiveness for this sector. It can complement and contrast with equally ambitious initiatives by provinces and municipalities to further expand local food market opportunities or diversification efforts.

This direction is consistent with the intrinsic strengths of Canada's agri-food sector- natural resource base (land and water), high quality and safety standards, substantial production and processing capacity, pools of well experienced farm and food industry personnel, and availability of public and private sector capital. Indeed, with improved cooperation and leadership among the industry segments, along with modest changes to regulatory systems (with transparent metrics), these growth objectives could be met. Add the commonly accepted views of income and food demand growth in emerging markets and the targets may seem inevitable.

Unfortunately, the historical and current context for Canada's agri-food sector is not as optimistic. While the sector performed relatively well during the recent recession, cooperation between and among the agri-food supply chain members has not always been smooth. Supposing that input suppliers, farmers, processors, and retailers will easily come to a single unified view, trust each other, and work as a team to achieve growth targets is optimistic, and contrary to much of our experience. Indeed, without

substantial work and leadership across this sector, this should not be assumed. Access to additional natural resources is increasingly limited, and concerns about environmental sustainability may further limit such resources. Competition in Canada's agri-food market place has increased-at home and in the global marketplace. Competition for the top human resources within Canada in fierce, and is not expected to abate.

As an illustration, the current focus of the Canadian Agri-Food Policy Institute on food processing, and the substantial decline in Canada's food processing trade balance provides indications of these challenges to the sector's long term competitiveness. Recent food facility closures and disinvestments do not bode well for a new spurt of industry growth. To achieve the desired growth targets and sustained prosperity, the current sector context must change. The following key elements are critical to the Canadian agri-food sector, and the Federal, provincial, territorial government efforts to meet these growth targets.

KEY CHALLENGES FOR SUSTAINED AGRI-FOOD SECTOR GROWTH

The above context places the following key elements for sustained agri-food sector growth. Both private and public sector participants can play significant roles within each element, but the overall lead role-the defining one for market success-must lie with private sector entrepreneurs, firms/cooperatives and farmers and farm families.

1. *Investment Capital*

To achieve the desired growth targets across Canada, expanded Canadian and foreign direct investments in this sector are critical. The sector has a variable track record, but it must compete even more aggressively for investment funds (even when public sector agencies exist) in primary production, primary and secondary food manufacturing, agribusinesses, and for innovation. It must compete globally for such funds if sufficient scale and market reach are to be achieved. New investments in productive and productivity enhancing assets must increase. These new investments need to exceed current levels, and investors will need to participate facing increased risks.

2. *Natural Resource Sustainability*

Canada does have a "wealth" of natural resources for agri-food production and processing. However, the location, the effective use and sustainable use of these natural resources are not givens for smooth achievement of the desired growth targets. There are also substantial domestic competitors for these natural resources. The public sector is seen as increasingly accountable for farm and food industry users of these resources-primarily to meet consumer and citizen demands for such sustainability. Transportation infrastructure is also critical when recognizing that much of Canada's agricultural land mass is not within immediate access of either domestic or export markets. New investments in transportation infrastructure must be made to satisfy market demands, and resource sustainability measures.

3. Talent and Human Resources

Canadian agri-food must compete more effectively to obtain and retain high quality human resources, talent, and leadership. These pools of talent currently exist, but to meet the investment, market, growth and job expansion numbers (in whole or part), the Canadian agri-food sector needs to compete even more aggressively for such talent and human resources. Canada's agri-food sector will have to continue, and expand, efforts on immigration, skills development, and adapting to new technologies/new markets. Longer term human resource development has not always been a major priority for the sector in the past-it must become one.

4. Research and Innovation

Canada has had a long successful history of public sector agri-food investments in research, and favourable public policies for innovation across all sectors .The effectiveness of these investments and accompanying private sector capacity are not as well defined. To achieve these agri-food growth targets, the sector needs to invest more and differently in research and innovation. These will be necessary strategies for sustained market growth and prosperity. Both the public and private sector participants will also have to make difficult decisions on appropriate priorities for new investments, reallocations, and disinvestments in older assets/technologies. These domestic investments in innovation and research will occur just as global competition for innovation and new technology expands. Improved public transparency on the successful market results from both public and private sector institutions will become more critical in order to best use limited financial and human resources in these areas.

5. Regulatory Reform- Necessity to acknowledge trade-offs

In these national, provincial and territorial calls for renewed agri-food sector growth, the regulatory system in place is usually accepted as a constant. However, with significant investments and risks in expanded market activities, trade-offs between current-or new-regulations will become more contentious. There will continue to be significant differences between market participants on whether higher domestic standards lead to greater market opportunities- or whether international standards are required to successfully compete. Variations in views will occur between and among industry segments, Differences in market opportunities, and differing technology capacities of the sector participants will make regulatory reform more challenging, and more critical to the successful accomplishment of the growth targets. It will neither be a "race to the bottom" or "top" for all industry participants- but an agile regulatory system with explicit recognition of trade-offs between different public policy goals will become more critical. It will also have to become far more transparent to sustained public and consumer support.

6. Global Competition

The same desire for increased agri-food sector growth is evident in many of Canada's competitor jurisdictions. The United States-with its historic agri-food export growth (pricing impacts are part of that growth)- as well as New Zealand, Australia, South Africa, Brazil, Chile and others are all competing for

these new emerging markets. The recent completion of the CETA negotiations opens up both Canada's and the EU markets to new competition-desired by many, but not all participants in this sector. Canada's efforts to sustain agri-food sector growth targets will occur within a dynamic marketplace, not a stable one. This should cause us to reflect on our advantages relative to these competitors, our weaknesses, and how an agri-food growth strategy leverages our strengths and covers our weaknesses.

CONCLUSION

Across Canada private and public sectors are acknowledging the economic opportunities for sustained growth and prosperity for the agri-food sector in domestic and global markets. This is a very welcome direction and a necessary one in order to sustain this sector as it adapts to changing market demands, increased competition inside and outside the sector, and more effective global competitors. To achieve the desired sector growth and growth rates, much more change is needed than focusing on the necessary metrics for measurement, and a sense of modest adjustments to the status quo.

Canada's agri-food sector has the capacity to compete, but it will be challenged to do so by its own historical patterns/policies, that of its competitors, and its customers. It will also need to evolve beyond the status quo, and take greater risks and actions in order to sustainably achieve the desired growth targets.